

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, September 20, 2016

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:01 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Will Elliott, Ken Willis, Sue Sundell, and Bob Cable. Also in attendance were resident Jane Willis, City of Upland's Public Works Director Rosemary Hoerning, and SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton and Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag

1. Recognitions and Presentations: None.

2. Additions-Deletions to the Agenda: None.

3. Shareholder-Public Testimony: None.

4. Consent Calendar Items:

A. Approval of Board Meeting Minutes

Regular Meeting Minutes August 16, 2016.

B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes

No meeting minutes to report.

C. Administrative and Finance Committee (AFC) Meeting Minutes

AFC Meeting minutes of June 7, 2016.

D. Ad Hoc Committee Office/Yard Relocation Meeting Minutes

Meeting minutes of July 21, 2016

E. Financial Statement

Comparative Income Statement and Balance Sheet for July 31, 2016 and year-to-date.

F. Investment Activity Report

Monthly Report of Investments Activity

G. Water Production

Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]

H. Prominent Issues Update

Status summaries on certain on-going active issues.

I. Projects and Operations Update

Status summaries on projects and operations matters.

J. Groundwater Level patterns [Quarterly in April, July, October & January]

Tracking patterns of groundwater elevations relative to ground surface.

K. Correspondence of Interest:

- Letter from City of Upland – Pay options for emergency water service
- Letter response to the City of Upland regarding pay options for emergency water service
- Letter from State Board amending permit to operate and disinfect Tunnel
- Letter response to Chino Basin Watermaster regarding Supplemental Water recharge procedure
- Letter from the Department of Water resources acknowledging receipt of the Water Company's 2015 Urban Water Management Plan

Director Willis moved and Director Cable seconded to approve the consent calendar as presented. Motion carried.

5. Board Committee – Delegate Report:

A. Pomona Valley Protective Association (PVPA) Representative's Report – Director Thomas reported on the most recent PVPA meeting. A Water Spread Report given at the meeting showed

little spreading taking place; SAWCo and the City of Pomona are the only contributors. The Operations and Maintenance Manual for the San Antonio Spreading Grounds and Thompsons Creek is nearing completion. The easement for the 5-acre landlocked property in Thompson Creek is an ongoing issue. The land is by the dam below the Claremont Wilderness Park and water quality is of concern. The Annual Meeting for PVPA is scheduled for November 9, 2016. A proxy will be sent out for voting.

- B. Six Basins Representative Report** – Mr. Moorrees reported on the Six Basins Watermaster Special Meeting held on August 24, 2016. Meetings will now be held every month instead of bimonthly with the elimination of the Advisory Committee meetings for the remainder of the calendar year. The Substantial Injury Analysis was presented for Three Valleys Municipal Water District (TVMWD) Well #3. This is the pilot for determining how to process material and physical injury for any projects. A verbal update on the Proposition 1 Grant Funding pre-application was given. A review of the pre-application should take place at the next Six Basins Board Meeting on September 28, 2016.
- C. Chino Basin Representative Report** – Ms. Layton reported on the Chino Basin Watermaster 2015 Safe Yield Reset Agreement (SYRA). The scheduled hearing will take place on September 23, 2016 at 1:30 p.m. Mr. Moorrees will be attending the court hearing which will take place at the San Bernardino County Superior Court. A Tentative Order from the Judge was received earlier in the day which sets the safe yield at 135,000 acre feet (AF) and sides with the City of Chino on all other issues. SAWCo's Operating Safe Yield (OSY) will go from 1,369 AF to 1,232 AF if the Tentative Order is approved.

The Pool Meeting was held on September 8, 2016. The minutes from the previous Pool meeting were not available and therefore not approved.

In regards to the 2015 Ground-Level Monitoring Committee Annual Report, Mark Kinsey with Monte Vista Water District (MVWD) wished to defer this item in order to have editorial comments from MVWD's consultant. After discussion it was decided to have another Committee meeting before bringing this item through the Pool process for approval. The meeting is scheduled for this Thursday at 9:00 a.m. before the Board meeting.

Peter Kavounas reported that he is working on a new draft of the General Manager's Report on supplemental water recharge procedure and will bring it to the Committee next month for consideration.

In Closed Session the Pool members agreed to have Ms. Layton send an email with questions regarding the Engineering and Legal budget review to Mr. Kavounas. The Pool members are waiting for the Pool Chair's assistance since Mr. Kavounas reply was not favorable.

Mr. Moorrees reported on the September 13, 2016 Committees and Board, Roles and Responsibilities Workshop he attended. The workshop was one that the Board had presented in the past. The Board works as a polycentric form of government as an extension of the Court. They are not subject to the Brown Act or Freedom of Information Act, however there is policy to do so. The Pool's make recommendation to the Advisory Committee who then makes recommendation to the Board. The Board is granted discretionary power to develop the Optimum Basin Management Plan. The Advisory Committee approves the Annual Budget and has the power of the "purse". Administration is funded through production assessments. The history of the Basin was also reviewed.

Director Thomas stated at the Board meeting the City of Ontario had a compelling argument against the cost of the remediation work in the wetlands area above the Prado Dam. Of the nine Board members, representatives for the City of Upland and the City of Ontario voted no on the project all others voted yes.

Director Willis asked for clarification on whether or not the Agriculture Committee does not have to pay any fees. Ms. Layton stated the Agriculture Committee does not have to pay assessments in exchange for early transfers on a yearly basis instead of every five years. Mr. Moorrees advised Agriculture also does not pay legal fees; the Appropriative Pool covers their costs.

Mr. Moorrees advised of a chart Mr. Kavounas put together of the roles of each Pool and the Board of Chino Basin Watermaster. A copy of the chart was placed on the dais.

- D. Administration and Finance Committee (AFC) Chairman's Report** – Ms. Sundell reported the Committee reviewed the Company's Organizational Chart at length during the most recent AFC meeting.
- E. Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting to report on.
- F. Office Feasibility Study Ad Hoc Committee** – Ms. Layton reported the committee met on August 29, 2016. Task 1, the Needs Assessment, had been completed and the Committee decided they would like to see a conceptual drawing before moving forward. The next meeting will be held on Thursday, October 27, 2016 at 2:00 p.m.

Director Thomas felt that leaving space for a future reservoir for the City of Upland should be considered at the site of the proposed office and yard relocation. Mr. Moorrees stated he would be meeting with Ms. Hoerning in the next couple of weeks to discuss that topic.

Director Glenn Bozar entered the meeting.

6. General Manager's Report on Activities:

- A. Water Utility Overcharge** – Mr. Moorrees advised the Board of a shareholder who, since 2006, had been billed using ½ share of water stock when they own 1 full share. Thus, their water usage with respect to entitlement based on ½ share has been charged the tiered rate for the usage exceeding the base rate entitlement since the beginning of their water service.

SAWCo's billing software is fairly new and holds only two years of data. The shareholder was able to locate and submit copies of their water bills since January 2006. In review of their records, staff calculates that the customer overpaid into Tier 2 relative to their respective entitlement in the amount totaling \$1,643.43. A majority of this overcharge was within the time period of entitlement reduction in CY2014 and CY2015.

SAWCo currently has no policy with regards to repayment of overcharges. Legal counsel advises going back no more than four years. According to the Public Utilities Act no more than two years is necessary, however, if appealed in court no more than four years can be ordered.

The recommended policy for reimbursement of overcharges is as follows:

Overcharges can result from any variety of errors, including incorrect water delivery meter reads; or assignment of shareholdings; or rate classification. This can also occur if the shareholder provides incorrect or incomplete information when applying for water service or if information provided is incorrectly recorded.

When such an error is verified and adequate historical records are available to document overcharges, it is the policy of the San Antonio Water Company to reimburse the current shareholder from the most recent billing back for as many as four years.

Mr. Moorrees recommended the Board approve reimbursement to the shareholder in the amount of \$1,643.43 and approve the draft policy for limitation to four years for reimbursement for customer overcharge as presented with any additional comments deemed appropriate.

Director Elliott moved and Director Sundell seconded to reimburse the shareholder \$1,643.43 for overcharges. Motion carried.

Director Elliott moved and Director Cable seconded to approve the draft policy for limitation to four years for reimbursement for customer overcharge as presented. Motion carried.

B. Water Supply Update – Mr. Moorrees updated the Board on SAWCo's water supply. Bacteria issues with the San Antonio Tunnel made it necessary to obtain a four logging inactivation to receive Department of Drinking Water (DDW) approval to deliver tunnel water back into the domestic system. This was done by moving the disinfection unit from the Forebay to Shaft 6. Mr. Moorrees presented pictures of the work done in order move the unit to its current location.

On August, 30, 2016, the Water Company received the permit amendment from the State Department of Drinking Water to operate and disinfect the Tunnel water into the domestic system which began on September 1, 2016. Water is flowing at 500 gallons per minute (gpm) in the Tunnel and relieves the need for use of Well 32 and Well 15.

Prior to switching the Tunnel water back into the domestic system, the City of Upland was receiving combined Tunnel and surface water flows into their treatment plant. Unfortunately, without the Tunnel flows the City of Upland's treatment plant is unable to operate with the minimal surface flows. Therefore, the current 300 gpm of San Antonio Creek flow is being recharged into the Tunnel spread ponds to enhance tunnel flows from 500gpm to approximately 750 gpm (1mgd) providing about 64% of SAWCo's domestic supply. Well 16 is now being used to deliver water to the City of Upland at 24th Street and Campus Avenue.

Mr. Moorrees provided charts showing water supply with how much has been delivered through August 2016 and what is projected to be delivered by the end of the year. Projections show SAWCo will not be able to deliver full entitlement to the City of Upland, City of Ontario, and MVWD. Mr. Moorrees stated that this is where Service Agreements fail in that entitlements in 2015 were reduced to 11,500 acre feet (AF) , however, SAWCo was only able to produce 9,500 AF and had to transfer the difference to shareholders with Service Agreements or refund money. This was a difficult task to manage being that most water storage accounts in local basins is low or depleted. Entitlements may need to be reduced again at the end of the year unless there is significant rainfall in our local watershed.

Director Thomas questioned whether or not the San Antonio Heights shareholders were receiving their full entitlement. With no big rains predicted for the upcoming year finding a better way to be equitable with water delivery to all shareholders is needed.

Mr. Moorrees assured the Board he is attempting to do just that. SAWCo completed design work on a connection to the Water Facilities Authority (WFA) to deliver Well 31 water and surface water; however, the project was voted down at the TAC meeting. Had the connection been approved SAWCo would have the ability to deliver more water to entity shareholders.

Director Thomas understood that SAWCo has and is working hard to make connections but felt that additional effort is needed in order to treat all shareholders equally.

Mr. Moorrees replied that it was SAWCo's anticipation to deliver full entitlement or as much as possible. Well 26 and Well 27A is being delivered to the City of Ontario through WFA which took water from the City of Upland. In order to supply the City of Upland with water on the East side they are now receiving water at 24th Street and Campus Avenue. SAWCo needs support from other

agencies in order to deliver wet water. SAWCo met with WFA and DDW to explain their intended delivery. The concern for WFA parties nitrates and dibromochloropropane (DBCPs) contamination in Well 31. SAWCo offered to provide a blending plan for each entity in order to deliver the water. The contaminants are relatively small compared to flow from Metropolitan Water District. There is hope that the biological treatment plant being installed at Well 31 will reduce the contaminant level to zero and the connection to WFA will be approved.

Another issue affecting SAWCo's surface water supply is the Bin II classification. In April 2015 the DDW stated that if SAWCo took two samples per month for a year that returned negative for cryptosporidium and giardia they would reclassify the water to Bin I. SAWCo complied but in April 2016 DDW admitted an error on their part and required another year of sampling. DDW is allowing SAWCo to piggy back on the City of Upland's current long term treatment rule sampling for the year and will consider changing the classification upon sampling results and completion.

Director Bozar moved Director Cable seconded to receive and file the Water Supply Update. Motion carried.

- C. CY2016 Mid-Year Budget Review** – Mr. Moorrees reported this item was presented to the AFC and has had some revisions. SAWCo is projected to have a negative income at the end of CY2016 in the amount of <\$188,907.26>. This negative amount includes the sale of stored water in Six Basins and Chino Basin.

Director Bozar moved and Ms. Sundell seconded to receive and file the CY2016 Mid-Year Budget. Motion carried.

D. Project Status Report –

- **Holly Drive Reservoir Design** – Three options were presented by TKE Engineering. The design of a 100,000 gallon reservoir was determined to be the best option. The cost for the project is estimated to be \$290,000. The current reservoir's interior needs to be recoated, however, the current budget may require this project be pushed to a different year. A variable speed drive may be able allow the booster to maintain demand while servicing the current reservoir.
- **Rate & Fee Study** – Staff held a kick-off meeting with the Pierce Rossum, the consultant from Carollo Engineering, and legal counsel to discuss some of the legalities regarding mutual water companies as it pertains to rates and fees. Mr. Rossum will present some recommendation in as early as November. Director Thomas requested that the Board and shareholders input be taken into consideration during the rates and fees study. He was under the impression that there would be a meeting with the Board and the major shareholders to gather ideas. Mr. Moorrees will have Carollo Engineers schedule a workshop with the Board and shareholders.
- **Water Master Plan** – Civiltex Engineering will be providing design criteria that staff will present at the next PROC meeting.
- **Basin 6 Desilting** – The recharge basin has four feet of water that will need to be pumped out. The San Bernardino County is finishing review of the initial study which will then go out for public comment. A Request For Qualification for desilting contractors will go out shortly thereafter.
- **Cucamonga Crosswalls** – Until 22nd Street and Campus Avenue haul route is approved the project is stalled. A Nationwide Permit is needed and the Army Corps of Engineers has changed the type of permit SAWCo is required to have. The Regional Water Quality Control Board now requires a 401 Permit. The noise and traffic study is still being worked on. Once it is complete a meeting will be held with surrounding residents for them to voice any concerns.
- **Water Rights** – Senate Bill 88 (SB88) requiring agencies to monitor diversions and report them to the state was passed into law. A portion of the bill mentions identifying undocumented diversion. Staff called and asked how they were handling SAWCo's 2012 claim regarding multiple undocumented diversions. Staff requested a meeting to discuss the status. SAWCo is in compliance with SB88.
- **Well 31 Biological Treatment** – Mr. Moorrees provided a picture of the work being done at Well 31 for the pilot biological treatment plant.

7. Closed Session: The Board recessed to closed session at 5:44 p.m. to consider the General Manager's Performance Review.

The Board meeting reconvened at 5:59 p.m. Director Thomas advised the Board had agreed to an increase of 1.6% in the General Manager's salary.

8. Director's Comments and Future Agenda Items: None.

Adjournment: Seeing no further business the meeting was adjourned at 6:00 p.m.

Future Meetings:

- The next Board Meeting will be held on Tuesday, October 18, 2016 at 5:00 p.m.

Assistant Secretary
Charles Moorrees